



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GARRARD COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable E. J. Hasty, County Judge/Executive

Honorable Ray Hammonds, Former County Judge/Executive

Members of the Garrard County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Garrard County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Garrard County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government - Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Garrard County, Kentucky prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

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Members of the Garrard County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Garrard County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of June 30, 1998, in conformity with the cash basis of accounting described above.

Our audit was performed for the purpose of forming an opinion on the financial statements of Garrard County, Kentucky, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The other information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present a Schedule of Findings and Questioned Costs, included herein, which discusses the following areas of noncompliance:

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$48,884 As Collateral And Entered Into A Written Agreement To Protect Deposits
- The County Judge/Executive Should Present All Claims To The Fiscal Court For Review
- The County Should Obtain Bids For Expenditures Over \$10,000
- The County Should Have Entered Into A Sub-Recipient Agreement With the Garrard County Health Department

In accordance with Government Auditing Standards, we have also issued our report dated July 15, 1999 on our consideration of Garrard County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 15, 1999

GARRARD COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Ray Hammonds	County Judge/Executive
Mark Metcalf	County Attorney
Shelton Moss	County Clerk
Jennifer Grubbs	Circuit Court Clerk
Ronnie Wardrip	Sheriff
Kenneth Tuggle	Jailer
Harvey Howard	Property Valuation Administrator
Louise Robinson	County Treasurer
Clyde Merida	Coroner
Norman Davis	Magistrate
Doug Miller	Magistrate
Ronnie Lee	Magistrate
F.C. Foley	Magistrate
Marvin Conn	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

GARRARD COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:

Cash	\$ 210,435
Investments	43,000

Road and Bridge Fund:

Cash	75,097
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Jail Fund:

Cash	2,919
------	-------

Emergency 911 Fund:

Cash	160,934
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Retirement Account :

Cash	178
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Other Resources

General Fund:

Amounts to be Provided in Future Years for Capital	
Lease Obligations - Health Department	450,000

Total Assets and Other Resources

\$ 942,563

Liabilities and Fund Balances

Liabilities

General Fund:

Capital Lease Obligation (Note 4)	\$ 450,000
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Retirement Account

178

Fund Balances

Reserved:

Emergency 911 Fund	160,934
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Unreserved:

General Fund	253,435
Road and Bridge Fund	75,097
Jail Fund	2,919

Total Liabilities and Fund Balances

\$ 942,563

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

GARRARD COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

<u>Cash Receipts</u>	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Schedule of Operating Revenue	\$ 2,546,808	\$ 1,238,505	\$ 873,206	\$ 44,002
Transfers In	173,339			159,500
Capital Lease Proceeds	450,000	450,000		
Kentucky Advance Revenue Program	517,895	517,895		
Total Cash Receipts	<u>\$ 3,688,042</u>	<u>\$ 2,206,400</u>	<u>\$ 873,206</u>	<u>\$ 203,502</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,824,629	\$ 1,118,527	\$ 921,862	\$ 202,460
Transfers Out	173,339	173,339		
Construction of Health Department Building	450,000	450,000		
Kentucky Advance Revenue Program Repaid	517,895	517,895		
Total Cash Disbursements	<u>\$ 3,965,863</u>	<u>\$ 2,259,761</u>	<u>\$ 921,862</u>	<u>\$ 202,460</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>\$ (277,821)</u>	<u>\$ (53,361)</u>	<u>\$ (48,656)</u>	<u>\$ 1,042</u>
Cash Balance - July 1, 1997*	<u>770,206</u>	<u>306,796</u>	<u>123,753</u>	<u>1,877</u>
Cash Balance - June 30, 1998*	<u><u>\$ 492,385</u></u>	<u><u>\$ 253,435</u></u>	<u><u>\$ 75,097</u></u>	<u><u>\$ 2,919</u></u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

GARRARD COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Emergency 911 Fund	Health Department CDBG Fund
\$ 1,017 13,839	\$ 42,949	\$ 57,829	\$ 289,300
<u>\$ 14,856</u>	<u>\$ 42,949</u>	<u>\$ 57,829</u>	<u>\$ 289,300</u>
\$ 14,856	\$ 243,420	\$ 34,204	\$ 289,300
<u>\$ 14,856</u>	<u>\$ 243,420</u>	<u>\$ 34,204</u>	<u>\$ 289,300</u>
\$ 0 0	\$ (200,471) 200,471	\$ 23,625 137,309	\$ 0 0
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 160,934</u>	<u>\$ 0</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Garrard County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Garrard County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. As of June 30, 1998, the bank balances were fully insured or collateralized with securities held by the county's agent in the county's name. However, as of May 4, 1998, the uncollateralized amount on deposit was \$48,884. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. In addition, the county did not have a written agreement with the depository institution.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 1998
(Continued)

Note 3. Deposits (Continued)

The county's deposits in one bank are categorized below to give an indication of the level of risk assumed by the county as of May 4, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by the county's agent in the county's name	\$ 500,000
Uncollateralized and uninsured	<u>48,884</u>
Total	<u><u>\$ 548,884</u></u>

Note 4. Capital Lease Agreement

In December 1997, Garrard County entered a lease agreement with the Kentucky Association of Counties Leasing Trust for the purpose of construction of a county health department. The amount of the lease principal was \$450,000 plus interest at 5.56 percent, plus administrative fees, credit fees and fiduciary fees. The principal is paid annually and the interest is paid monthly over a 10-year period. The principal balance of the lease as of June 30, 1998 was \$450,000.

Note 5. Lease-Purchase Agreement

The county has entered into the following lease-purchase agreement:

<u>Description</u>	<u>Balance 7/1/97</u>	<u>Principal Paid</u>	<u>Interest Paid</u>	<u>Balance 6/30/98</u>
KACO Leasing Trust - Road Grader	<u>\$ 32,000</u>	<u>\$ 16,000</u>	<u>\$ 1,032</u>	<u>\$ 16,000</u>

Note 6. Insurance

For the fiscal year ended June 30, 1998, Garrard County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

GARRARD COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 2,080,096	\$ 1,238,505	\$ (841,591)
Road and Bridge Fund	767,270	873,206	105,936
Jail Fund	251,150	44,002	(207,148)
Local Government Economic Assistance Fund	14,856	1,017	(13,839)
Community Development Block Grant Fund	83,288	42,949	(40,339)
Emergency 911 Fund	60,240	57,829	(2,411)
Allison Abrasives CDBG Fund	280,000		(280,000)
Health Department CDBG Fund	715,750	289,300	(426,450)
Totals	<u>\$ 4,252,650</u>	<u>\$ 2,546,808</u>	<u>\$ (1,705,842)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,252,650
Add: Budgeted Prior Year Surplus			760,780
Less: Other Financing Uses			<u>(1,059,660)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 3,953,770</u>

SCHEDULE OF OPERATING REVENUE

GARRARD COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes</u> <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 234,313	\$ 234,313	\$	\$
Tangible Personal Property Tax	6,894	6,894		
Franchises	35,828	35,828		
Excess Fees - 1997	376	376		
County Clerk:				
Deed Transfer Tax	30,365	30,365		
Delinquent Taxes	4,465	4,465		
Excess Fees - 1997	111,084	111,084		
Tangible Personal Property Taxes:				
Other Counties	12,580	12,580		
County Clerk	52,598	52,598		
Occupational Employment Tax	467,013	467,013		
Omitted Personal Property Taxes	5,102	5,102		
Bank Shares	22,544	22,544		
Totals	<u>\$ 983,162</u>	<u>\$ 983,162</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grants:				
Coordinator Salary	\$ 2,284	\$ 2,284	\$	\$
Chemical Stockpile Emergency				
Preparedness Program	19,428	19,428		
1998 Severe Weather	16,347		16,347	
Community Development Block				
Grants - Health Department	289,300			
Natural Resources	77,228		77,228	
Totals	<u>\$ 404,587</u>	<u>\$ 21,712</u>	<u>\$ 93,575</u>	<u>\$ 0</u>

[illegible]

GARRARD COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 31,469	\$	\$	\$ 31,469
Medical Allotments	2,685			2,685
Driving Under The Influence Fees	2,402			2,402
Court Costs, Jail Operation	3,860			3,860
Medical Reimbursements	988			988
County Road Aid	550,201		550,201	
Truck License Distribution	151,651		151,651	
Courthouse Rental - Administrative				
Office of the Courts	36,107	36,107		
Refunds:				
Drivers Licenses	1,264		1,264	
Dog Licenses	307	307		
State Reimbursement	89	89		
Severance Taxes:				
Mineral	1,017			
Board of Assessments	200	200		
Grants:				
Disaster and Emergency				
Assistance-				
Coordinator Salary	309	309		
Transportation Cabinet	55,000		55,000	
Totals	\$ 837,549	\$ 37,012	\$ 758,116	\$ 41,404

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Emergency 911 Fund	Health Department CDBG Fund
\$	\$	\$	\$
1,017			
\$ 1,017	\$ 0	\$ 0	\$ 0

GARRARD COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 35,533	\$ 22,494	\$ 9,179	\$ 207
Circuit Court Clerk:				
Work Release	1,804			1,804
Community Development Block				
Grant Loan Receipts -				
Principal	37,667			
Interest	3,425			
Charges for Services:				
Garbage Collection	23,003	23,003		
Landfill User	4,225	4,225		
Parks and Recreation	108,697	108,697		
911 Service Charges	54,176			
Miscellaneous Receipts:				
Vending Machine Commission'	361	361		
Rental Lease	9,142	9,142		
Recycling Receipts	3,678	3,678		
Reimbursements	14,457	13,956	74	427
Insurance Proceeds	12,183	3,275	7,051	
Other Receipts	6,018	647	5,211	160
Farm Income	7,100	7,100		
Staledated Checks	41	41		
Totals	\$ 321,510	\$ 196,619	\$ 21,515	\$ 2,598
Total Operating Revenue	\$ 2,546,808	\$ 1,238,505	\$ 873,206	\$ 44,002

GARRARD COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Emergency 911 Fund	Health Department CDBG Fund
\$	\$	\$ 3,653	\$
	37,667 3,425		
		54,176	
	1,857		
<u>\$ 0</u>	<u>\$ 42,949</u>	<u>\$ 57,829</u>	<u>\$ 0</u>
<u>\$ 1,017</u>	<u>\$ 42,949</u>	<u>\$ 57,829</u>	<u>\$ 289,300</u>

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

GARRARD COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 32,446	\$ 32,346	\$ 100
Deputy County Judge/Executive	1,054	1,054	
Personnel Administrator	9,184	9,184	
Executive Office Staff	2,000		2,000
Secretary	13,371	13,371	
Office Materials and Supplies	4,000	1,917	2,083
Registrations, Conferences, and Training	2,500	2,361	139
Office of County Attorney:			
Salaries-			
County Attorney	11,298	11,263	35
Secretaries	8,700	8,314	386
Office Materials and Supplies	2,000	1,480	520
Office of County Clerk:			
Salaries-			
County Clerk	3,600	3,600	
Office Materials and Supplies	8,000	2,234	5,766
Printing and Binding	6,000	5,889	111
Tax Bill Preparation	2,200	404	1,796
Miscellaneous	3,022	3,022	
Office of Sheriff:			
Salaries-			
Deputies	6,887	6,635	252
Tax Bill Preparation	4,783	4,783	
Bond	600		600
Materials and Supplies	5,000	4,921	79
Fiscal Court:			
Magistrate Salaries	25,651	25,651	

GARRARD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of County Coroner:			
Salaries-			
County Coroner	\$ 6,720	\$ 6,578	\$ 142
Deputy Coroner	2,170	2,118	52
Supplies	3,000	1,450	1,550
Office of Property Valuation Administrator:			
Statutory Contribution	15,269	14,646	623
Office of Board of Assessment Appeals:			
Board and Committee Member Fees	400	400	
Office of County Treasurer:			
Salaries-			
County Treasurer	14,789	14,789	
Office Materials and Supplies	500	424	76
Office of Tax Administration:			
Refunds	1,000	138	862
County Law Library:			
Law Librarian Salary	900	900	
Elections:			
Per Diem-			
Election Commissioners	4,500	3,360	1,140
Election Officers	4,500	3,446	1,054
Tabulators	500	120	380
Printing	5,000	860	4,140
Advertising	500	78	422
Polling Places	1,500	175	1,325
Courthouse:			
Salaries-			
Janitor	14,000	13,472	528
Advertising	2,000	815	1,185
Maintenance Agreement	3,000	2,007	993

GARRARD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Courthouse: (Continued)			
Office Equipment Maintenance	\$ 3,356	\$ 3,356	\$
Maintenance and Repairs	27,000	25,937	1,063
Materials and Supplies	7,650	7,635	15
New Equipment	9,657	9,492	165
Postage	6,250	5,864	386
Telephone	12,000	11,577	423
Utilities	21,100	20,734	366
Miscellaneous	8,000	7,764	236
Other County Properties:			
Owsley House Utilities	5,000	3,732	1,268
<u>Protection to Persons and Property</u>			
County Fire Department:			
Contributions	12,000	12,000	
Disaster and Emergency Services:			
Salaries-			
Director	11,186	9,759	1,427
Deputies	3,100	3,096	4
Communications Equipment	8,882	8,877	5
Supplies	1,140	790	350
Office Materials and Supplies	4,303	4,278	25
Travel	150	53	97
Reserve for Transfer	29,439		29,439
Ambulance Service:			
Salaries	199,000	196,987	2,013
Supervisor Expense	3,000	3,000	
Fuel	7,107	7,107	
Supplies and Materials	41,893	38,624	3,269
Grant	95,200	94,991	209
Reimbursements	2,000	278	1,722
Training	1,340	1,146	194

GARRARD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND (Continued)</u>			
<u>Protection to Persons and Property (Continued)</u>			
Emergency Dispatch Service:			
Dispatchers County Share	\$ 51,767	\$ 50,248	\$ 1,519
Forestry Fire Protection:			
Forest Resource Services	1,000	648	352
Office of Public Defender:			
Contribution	1,500	1,447	53
<u>General Health and Sanitation</u>			
Pest Eradication Program:			
Pest Control	1,000	945	55
Dog Control:			
Salaries	8,250	7,845	405
Animal Food	465	265	200
Solid Waste Collection:			
Salaries	16,733	15,233	1,500
Contracts With Private Agencies	3,000	3,000	
Uniforms	350	143	207
Miscellaneous	68,557	68,397	160
Recycling Program:			
Salary	14,100	13,653	447
Contribution	1,100	1,100	
Utilities	800	521	279
<u>Social Services</u>			
County Hospital:			
Contribution	11,000	11,000	
Senior Citizens Program:			
Contribution	8,000	8,000	

GARRARD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Social Services (Continued)</u>			
Services to Children and Youth:			
Contribution	\$ 1,200	\$ 910	\$ 290
Other Health Programs:			
Heritage Hospice	2,000	2,000	
Health Department	22,600	22,600	
General Charity and Welfare:			
Contribution	2,000	358	1,642
County Farm:			
County Farm Expenses	2,000	431	1,569
Other Social Service Programs:			
Adult Day Care Contribution	1,000	1,000	
<u>Recreation and Culture</u>			
Parks:			
Jaycees Park Contribution	3,200	3,200	
Logan-Hubble Park	4,728	4,728	
County Fair Contribution	2,700	2,700	
<u>Debt Service</u>			
Borrowed Money:			
Interest	26,825	11,073	15,752
<u>Administration</u>			
General Services:			
Auditor	15,888	15,888	
Courthouse Insurance	63,548	63,548	
Memberships	4,025	4,025	
KACO Assessments	9,698	9,698	
Bank Service Fees	200		200

GARRARD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
Contingent Appropriations:			
Reserve for Transfers	\$ 20,561	\$	\$ 20,561
Fringe Benefits:			
County Contributions-			
Social Security	47,000	46,006	994
Retirement	52,500	51,015	1,485
Worker's Compensation	14,844	14,678	166
Unemployment Insurance	4,000	942	3,058
Total Operating Budget	\$ 1,240,436	\$ 1,118,527	\$ 121,909
Other Financing Uses:			
* KACO Leasing Trust Principal	450,000		450,000
** Kentucky Advance Revenue Program- Principal	609,660	517,895	91,765
Total General Fund	\$ 2,300,096	\$ 1,636,422	\$ 663,674

ROAD AND BRIDGE FUND

General Government

Office of County Judge/Executive

Salaries-

County Judge/Executive	\$ 15,966	\$ 15,966	\$
Personnel Administrator	5,614	5,614	
Secretary	6,465	6,465	

Fiscal Court:

Magistrates Salaries	10,735	9,884	851
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Office of County Treasurer:

Salaries-

County Treasurer	7,202	7,202	
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GARRARD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Engineer Salary	\$ 19,417	\$ 19,417	\$
Road Maintenance:			
Salaries-			
Road Labor	140,000	135,927	4,073
Contracted Construction - Highways	7,351	7,351	
Asphalt	360,061	359,739	322
Crushed Stone and Gravel	35,143	35,143	
Machinery and Equipment	69,940	69,656	284
Gasoline	24,053	24,053	
Materials	88,439	88,439	
Uniforms	1,984	1,984	
Telephone	800	677	123
Utilities	5,100	4,198	902
<u>Debt Service</u>			
Other County Liabilities:			
Lease-Purchase Agreements			
Road Grader			
Principal	16,000	16,000	
Interest	1,286	1,032	254
<u>Capital Projects</u>			
Streets and Highways:			
Contracted Construction	110,000	74,813	35,187
<u>Administration</u>			
General Services:			
Audit Charges	3,000	3,000	

GARRARD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Administration</u> (Continued)			
Fringe Benefits:			
County Contributions-			
Retirement	\$ 18,000	\$ 16,010	\$ 1,990
Social Security	16,000	14,578	1,422
Worker's Compensation	4,183	4,183	
Unemployment Insurance	531	531	
Total Road and Bridge Fund	<u>\$ 967,270</u>	<u>\$ 921,862</u>	<u>\$ 45,408</u>
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 25,000	\$ 24,186	\$ 814
Contracts with Other Counties	155,000	127,885	27,115
Operations-			
Office Supplies	100	16	84
Routine Medical	18,500	14,786	3,714
Staff Travel	500		500
Telephone	850	776	74
Transporting Prisoners to			
Other Counties	22,000	22,000	
Housing Prisoners - Other Counties	24,000	8,640	15,360
Miscellaneous Operating Expense	750	10	740
<u>Administration</u>			
General Services:			
Association Dues	50		50
Fringe Benefits:			
County Contributions-			
Retirement	2,500	2,403	97
Social Security	1,900	1,758	142
Total Jail Fund	<u>\$ 251,150</u>	<u>\$ 202,460</u>	<u>\$ 48,690</u>

GARRARD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>General Health and Sanitation</u>			
Soil Conservation:			
Contribution	\$ 14,856	\$ 14,856	\$ 0
<u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>			
<u>Capital Projects</u>			
Buildings:			
Architect Services	\$ 11,250	\$ 11,250	\$
Contracted Construction	269,543	222,795	46,748
Other Contracted Services	1,952	1,952	
Industrial Improvement	2,783	2,783	
Miscellaneous	4,640	4,640	
Total Community Development Block Grant Fund	\$ 290,168	\$ 243,420	\$ 46,748
<u>EMERGENCY 911 FUND</u>			
Emergency Dispatch Service:			
Coordinator Salary	\$ 11,022	\$ 10,965	57
Telephone	8,000	3,899	4,101
Utilities	2,500	1,747	753
Communications Equipment	25,000	14,679	10,321
Miscellaneous	2,000	1,177	823
<u>Administration:</u>			
Reserve for Transfer	143,668		143,668
Fringe Benefits:			
County Contributions -			
Retirement	900	793	107
Social Security	1,050	944	106
Total Emergency 911 Fund	\$ 194,140	\$ 34,204	\$ 159,936

GARRARD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ALLISON ABRASIVES CDBG FUND</u>			
<u>General Government</u>			
Economic Development:			
Plant Equipment	\$ 280,000	\$ 0	\$ 280,000
<u>HEALTH DEPARTMENT CDBG FUND</u>			
<u>Capital Projects:</u>			
Buildings:			
Contracted Construction	\$ 290,750	\$ 289,300	\$ 1,450
Administration:			
Reserve for Transfer	425,000		425,000
Total Health Department CDBG Fund	\$ 715,750	\$ 289,300	\$ 426,450
Total Operating Budget - All Funds	\$ 3,953,770	\$ 2,824,629	\$ 1,129,141
Other Financing Uses:			
* KACO Leasing Trust Principal	450,000		450,000
** Kentucky Advance Revenue Program - Principal	609,660	517,895	91,765
TOTAL BUDGET - ALL FUNDS	\$ 5,013,430	\$ 3,342,524	\$ 1,670,906

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable E. J. Hasty, County Judge/Executive
Honorable Ray Hammonds, Former County Judge/Executive
Members of the Garrard County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Garrard County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated July 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Garrard County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Garrard County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable E. J. Hasty, County Judge/Executive
Honorable Ray Hammonds, Former County Judge/Executive
Members of the Garrard County Fiscal Court
Report On Compliance And On Internal Control Over Financial
Reporting Based On An Audit Of Financial Statements Performed
In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 15, 1999

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable E. J. Hasty, County Judge/Executive
Honorable Ray Hammonds, Former County Judge/Executive
Members of the Garrard County Fiscal Court

Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Garrard County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 1998. Garrard County's major federal program is identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Garrard County's management. Our responsibility is to express an opinion on Garrard County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Garrard County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Garrard County's compliance with those requirements.

In our opinion, Garrard County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1998.

Internal Control Over Compliance

The management of Garrard County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Garrard County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Honorable E. J. Hasty, County Judge/Executive
Honorable Ray Hammonds, Former County Judge/Executive
Members of the Garrard County Fiscal Court
Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
July 15, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GARRARD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Garrard County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Garrard County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards program are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award program for Garrard County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards program for Garrard County reported in Part C of this Schedule.
7. The program tested as a major program was the Community Development Block Grant – Health Department Project – CFDA # 14.228.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Garrard County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$48,884 As Collateral And Entered Into A Written Agreement To Protect Deposits

The county's deposits were not adequately secured by \$48,884 as of May 4, 1998. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. The county should require the depository institution to pledge sufficient securities as collateral to insure deposits at all times. We also recommend the county enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

None

GARRARD COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Fiscal Year Ended June 30, 1998
 (Continued)

The County Judge/Executive Should Present All Claims To The Fiscal Court For Review

During the audit we discovered that the County Judge/Executive did not present all claims to the fiscal court for their review. KRS 68.275(2) states, the county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid. We recommend that the County Judge/Executive comply with KRS 68.275(2) and present all claims to the fiscal court for their review.

Management's Response:

None

The County Should Obtain Bids For Expenditures Over \$10,000

During the audit we discovered that the Garrard County Fiscal Court did not obtain bids on all expenditures over \$10,000. KRS 424.260 states, except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county may make a contract, lease, or other agreement for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than \$10,000 without first making newspaper advertisements for bids. We recommend that the fiscal court comply with KRS 424.260 and obtain bids for expenditures over \$10,000.

Management's Response:

None

The County Fiscal Court Should Have Entered Into A Sub-Recipient Agreement With The Garrard County Health Department

During the audit we discovered that the Garrard County Fiscal Court did not have a written agreement with the Garrard County Health Department concerning sub-recipient monitoring. The compliance requirements per the A-133 Compliance Supplement states, before disbursing any CDBG funds to a sub-recipient, the recipient shall sign a written agreement with the sub-recipient. This agreement shall include provisions concerning: the statement of work, records and reports, program income, and uniform administrative requirements. We recommend in the future the fiscal court comply with all compliance requirements of federal grants.

Management's Response:

None

PRIOR YEAR FINDINGS

The County Should Require Depository Institutions To Pledge Sufficient Securities As Collateral And Enter Into A Written Agreement To Protect Deposits

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
 AUDIT

None.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GARRARD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grants - Garrard County Health Department Project	B-94-DC-21-0001	
(CFDA #14.228)	B-96-DC-21-0001	\$ 289,299
<u>U.S. Department of Agriculture</u>		
Passed-Through State Department of Local Government:		
Natural Resources Conservation Service Grant-North Garrard County EWP Project	68-5C16-8-006	77,288
(CFDA #10.062)		
<u>U.S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants-		
Coordinator Salary		
(CFDA #83.503)	Not Available	2,284
Snow Removal		
(CFDA #83.516)	Not Available	16,347
Chemical Stockpile Emergency Preparedness Program		
(CFDA # None)	Not Available	19,428
-		
Total Cash Expenditures of Federal Awards		<u>\$ 404,646</u>

See Notes to the Schedule of Expenditures of Federal Awards.

GARRARD COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Note 1 - Basis of Presentation

This schedule is presented on a cash basis.

Note 2 - The federal expenditures for the Garrard County Health Department Project consist of grants to subrecipients as follows:

<u>Subrecipient</u>	<u>Number</u>	<u>Pass-through Grant Amount</u>
Garrard County Health	B-94-DC-21-001	
Department	B-96-DC-21-001	\$ 289,299

**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

GARRARD COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

GARRARD COUNTY FISCAL COURT

The Garrard County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name

County Judge/Executive


Name

County Treasurer